

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Strom-Martin Analyst: Kristina E. North Bill Number: AB 2102
Related Bills: See Legislative History Telephone: 845-6978 Amended Date: March 29, 2000
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Animal Population Control Fund

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL), this bill would allow taxpayers to designate a contribution on the tax return to a newly created Animal Population Control Fund.

This analysis does not discuss the bill's changes to the Civil Code and the Food and Agricultural Code as they do not impact this department or state income tax revenue.

SUMMARY OF AMENDMENT

The March 29, 2000, amendment added the language discussed in this analysis.

EFFECTIVE DATE

This bill would be effective January 1, 2001. The Animal Population Control Fund would not appear on the tax return until another fund has been removed and would be repealed after five years.

LEGISLATIVE HISTORY

AB 1139 (1999 - Strom-Martin) would have allowed taxpayers to designate a contribution on the tax return to a newly created Animal Population Control Fund. This bill failed to pass out of the house of origin by January 31 of the second year of the two-year session.

PROGRAM HISTORY/BACKGROUND

Thirteen voluntary contribution funds appear on the 1999 state income tax return. Total contributions to the funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3 million in 1998/1999. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

SPECIFIC FINDINGS

Current federal tax law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ <u>X</u> PENDING

Department Director

Date

Gerald H. Goldberg

4/24/00

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 13 voluntary contribution funds listed on the state tax return. Most of the funds provide for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates that all funds except the California Seniors Special Fund must meet a minimum contribution test (as indexed, if required) to remain on the return. Attachment II is a chart indicating the number and dollar amount of contributions to the funds for multiple fiscal years.

This bill would establish the Animal Population Control Fund (the Fund) and would allow taxpayers to designate their own funds (not tax liability) to the Fund on their tax returns in full dollar amounts of \$1 or more. The contributions may be made individually by each signatory on a joint return. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require the FTB to revise the personal income tax return to include a designation space for the Fund beginning when another voluntary contribution fund is removed.

For taxable years beginning in any calendar year after the first taxable year the Fund appears on the tax return, **this bill** would require the fund to meet the \$250,000 minimum contribution test. Beginning the second calendar year after the fund appears on the tax return, the FTB would be required to adjust the \$250,000 minimum contribution amount for inflation. If in any calendar year the FTB estimates by September 1 that contributions made under this bill will be less than \$250,000 (as indexed), the fund would be repealed.

This bill would provide that a taxpayer's return be treated as if no designation has been made if payments and credits reported on the return, together with any other credits associated with the taxpayer's account, do not exceed the taxpayer's liability. If the event that no designee is specified, a designated contribution would be transferred to the General Fund.

This bill would require the Controller to transfer from the Personal Income Tax Fund to the Fund the total amount designated for contribution by taxpayers to that fund.

This bill would require all moneys transferred to the Fund, upon appropriation by the Legislature, to be allocated to: 1) the FTB and the Controller for reimbursement of costs incurred performing their duties under this article, and 2) to the Department of Food and Agriculture for allocation to the animal population control program administered by the California Veterinary Medical Foundation.

This bill specifies the Legislature's intent that this article create an additional funding source for the animal population control program and that these funds must be used to supplement, not replace, other funding sources for this program.

Policy Consideration

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately impair tax collection and reduce administrative efficiency.

Implementation Consideration

This bill does not provide an "ordering rule" to determine placement on the return should other voluntary contribution funds be enacted with the same requirement that another be removed before it is added. Without a statutory ordering rule, the department would place new contributions on the return based on chaptering order of the bills creating the funds. It might be appropriate for the author to include this, or another order rule, in this bill.

Technical Consideration

The bill provides that any contribution made after the Fund's repeal should be transferred and disbursed as would have been required. This language is not necessary, as it is provided in a general section which applies to all voluntary contributions.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

Based on the information and assumptions discussed below, the potential revenue losses would be insignificant, \$15,000 or less annually, beginning with fiscal year 2001/2002 as a result of itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state produce that might result from this bill are not taken into account.

Tax Revenue Discussion

For purposes of this estimate, it is assumed this fund would be added to the 2000 state income tax return filed in 2001.

According to departmental data, more than 487,000 contributions by approximately 140,000 taxpayers, totaling more than \$3 million were made to 13 specified funds in fiscal year 1998/1999, with an average of \$6 per individual contribution. Assuming 1) the contributed amounts are included in itemized charitable deductions; 2) a 2% annual growth in contributions; 3) an average marginal tax rate of 6%; and 4) no reductions for other contributions normally reported, the annual revenue loss would be on the order of \$15,000.

BOARD POSITION

Pending.